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USSR-MOROCCO: Soviet naval visits to Morocco have increased over the past year.

Two Soviet destroyers and an F-class diesel submarine left Tangier on 6 March after a port visit of six days. This visit was the fourth by Soviet naval combatants since April of last year. Prior to 1972, Soviet warships averaged only about one port call annually to Morocco.

King Hassan has maintained a correct but cautious relationship with Moscow and has not honored all Soviet requests for naval visits. For example, two requests in December 1972 were denied by the King. Hassan, for tactical reasons, however, is seeking more cordial relations with the Soviets to offset his close ties with the US and Western Europe.

The increase in visits to Moroccan ports is part of a Soviet effort to obtain naval access to countries that are eager to preserve their non-aligned credentials. This policy has been reflected in use of port facilities by Soviet naval auxiliaries for replenishment in Sri Lanka and repair in Singapore.

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INDIA: The government's budget for the fiscal year beginning 1 April contains no new provisions designed to counteract the current economic slowdown or cope with other serious economic problems. The budget apparently is designed principally to mark time until the beginning of the fifth five-year plan next year.

The budget is non-inflationary at a time when prices are increasing at a record rate. Total budget expenditures are scheduled to decline 2.5 percent and no sector is slated to receive any significant increases in allocations. No change is projected in defense expenditures, which increased 14 percent above the planned level and reached $2.1 billion in the fiscal year ending this month.

Total receipts are scheduled to increase about 3.5 percent this year and the deficit is slated to be reduced to $113 million, compared with the previous year's $732 million. As in past years, however, the planned budget deficit probably will increase sharply before the end of the year.

Despite the government's call for an end to India's reliance on foreign aid, the budget proposes the receipt of $335 million in net foreign aid, compared with $164 million received last year. For the second consecutive year, however, New Delhi plans to repay the US some $70 to 75 million more than it uses from aid previously supplied by the US.

The budget provides for sharp increases in import duties on all machinery and cotton and substantial increases in excise taxes in order to raise revenues. Agricultural income, however, the country's only potentially large remaining source of new tax revenue, will remain essentially tax-free.

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UNITED KINGDOM: The government's expansionary budget will add to pressures on prices and on sterling.

Despite the assurance of Chancellor of the Exchequer Barber that the budget for the fiscal year beginning in April is neutral, Britain has clearly moved away from the "stop-and-go" growth policies of the past and opted for rapid economic expansion. To support its goal of real growth of 5 percent, the government plans to increase its spending by 13 percent. This will require London to raise its borrowing by 52 percent to approximately $10.5 billion. To attract savings, it plans to offer unprecedented, favorable terms on new savings bond issues. These moves, however, will tend to keep interest rates high and could choke off some of the private investment needed to sustain a high growth rate. Britain then would have to permit a more rapid increase in the money supply, at the risk of adding to already strong inflationary pressures.

The government is relying on its wage and price control program to control inflation. In addition, the budget exempts children's clothing and food from the new value-added tax (VAT) scheduled to go into effect on 1 April. This measure is probably a sop to labor union demands for an over-all 7.5 percent VAT instead of the 10 percent announced earlier. Tax breaks for the elderly, higher pensions, and better unemployment and sickness benefits will have popular appeal, but they will add to already strong consumer demand when implemented in the fall.

In a move that will affect the international oil companies, the budget stipulated that profits on all North Sea oil exploitation in the UK sector

of the continental shelf will be taxable. Currently, only profits earned by resident UK corporations are taxed. Barber also said that the UK intended to close loopholes in current tax laws affecting the oil companies.

Tax breaks in last year's budget fostered a consumer-led pick-up in economic growth to 3.6 percent per year, but did not stimulate an investment revival. Higher growth, however, has led to consumer price increases in excess of 8 percent and is spurring imports.

The trade balance deteriorated sharply in the second half of the year. Unofficial forecasts suggest that if the 5 percent growth target is reached, the current account, which was approximately in balance last year, may plunge into deficit by over $2 billion this year. 25X1

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NOTES

UN: UN Secretary-General Waldheim told a press conference Wednesday that he is still considering granting permission for a Viet Cong UN liaison office in New York. Waldheim first raised this possibility at last week's Paris Peace Conference. The US has vigorously opposed the measures. Waldheim holds the authority to grant observer status, but that status in the past has been preceded by membership in one or more specialized UN agencies as well as general recognition by UN members. While the distinction between observer and liaison status is unclear, Waldheim could claim that the latter is not dependent upon statehood. [redacted] 25X1

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JAPAN: Tokyo's planned budget for the fiscal year ending in March 1974 boosts the current dollar value of Tokyo's aid to less developed countries to $1.2 billion, up by almost 40 percent from the previous 12-month period. In the past, the bulk of Japan's official aid has gone to Far Eastern and South Asian countries, especially Indonesia, South Korea, India, and the Philippines. These countries probably stand to benefit most from Tokyo's increased aid allocations, although other countries in Asia, Africa, and Latin America also will get increased assistance. [redacted]

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